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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 6

NIKKEI (Page 2) (Full)  
February 6, 2008

10:00

Upper House Budget Committee meeting.

10:20

Met with Chief Cabinet Secretary Machimura at the Kantei, followed by Health Minister Masuzoe.

11:01

Upper House plenary session.

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11:42

Met with Deputy Chief Cabinet Secretary Futahashi at the Kantei. Then met with Secretary General Ibuki, followed by Futahashi.

13:02

Lower House plenary session.

13:17

New Year's party of the LDP Members' Wives Network held at the Ritz Carlton Tokyo.

13:38

Met with Futahashi at the Kantei.

14:58

Met with European Parliament President Hans-Gert Bottering. Lower House member Taro Nakayama was present.

15:32

Lower House plenary session.

15:59

Met with delegates of the Plum Delegation, including the chief priest of Dazaifu-Tenmangu. Lower House member Yoshiaki Harada was present. Then met with Bahraini Foreign Minister Khalid.

16:46

Met with METI Vice Minister Kitabata, Small and Medium Enterprise Agency Director General Fukumizu. Then met with Special Advisor to the Cabinet Okuda, Chief Cabinet Secretary Machimura and Deputy Assistant Chief Cabinet Secretary Saka.

18:19

Issued a letter of appointment to State Minister for Promotion of Consumer Administration Kishida.

19:19

Arrived at the official residence.

4) U.S. presidential election: Gov't hopes Republican Party administration will stay in office, concerned about Democratic Party's China-oriented stance

TOKYO SHIMBUN (Page 2) (Full)  
February 7, 2008

The U.S. presidential election is now underway with Republican Party and Democratic Party candidates campaigning hard to receive presidential nominations. The Japanese government is intensely focused on how the race to the White House will turn out. There is a chance that the Democratic Party may regain control of the White House. However, Tokyo has strong hopes that a Republican Party

administration will stay in power, considering that the Bush administration has built a favorable relationship between Japan and the United States over the past seven years.

Some officials in the Japanese government analyze that the Democratic Party is highly likely to march back into power, whoever may win the nomination between Clinton and Obama. "The Democratic Party has momentum," a senior official of the Foreign Ministry said. "Especially," the official added, "the opposition party

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traditionally has the advantage when the economic situation in the country is bad."

One government official, judging from Tokyo's experience during the administration of President Bill Clinton, fears that if the Democratic Party wins the presidential race, its administration, which is "historically inward-looking and protectionist," would be tough on Japan, especially in economic negotiations.

Furthermore, another official of the Japanese government fears that the Democratic Party's administration may give more consideration to China than Japan. Actually, Hillary Clinton, in her essay written last fall for Foreign Affairs magazine, did not refer to Japan even once. Instead, she noted, "Our relationship with China will be the most important bilateral relationship in the world."

However, Senator Obama, when Prime Minister Fukuda visited the United States last fall, stated before the full Senate that the Japan-U.S. alliance is the foundation of peace and prosperity in the Asia-Pacific region. Recently, Clinton also released a statement with emphasis on Japan-U.S. relations in an aim to wipe away Japan's concerns. "Unlike in the days of economic disputes," a source familiar with bilateral diplomatic relations said, "there is bipartisan understanding to recognize the importance of the Japan-U.S. alliance."

Even so, the Japanese government, in its heart of hearts, does not want to give up the 'honeymoon' relationship built by President Bush and former Prime Minister Junichiro Koizumi.

In particular, Senator John McCain, who is now leading the Republican Party's nomination race, has Japan hands as advisers, including Richard Armitage, who once served as deputy secretary of state in the Bush administration, and Michael Green, who was senior director for Asian affairs at the National Security Council (NSC). "He will understand so we don't have to explain to him our bilateral relationship," a Foreign Ministry source said.

5) Prime Minister Fukuda to visit Russia in May to hold talks with Putin before he steps down

MAINICHI (Page 2) (Full)  
February 7, 2008

Yudai Nakazawa

Prime Minister Yasuo Fukuda yesterday made up his mind to travel to Russia during the Golden Week holidays in May and meet with President Putin. Putin has indicated he wants to hold a Japan-Russia summit in Moscow sometime in May before his tenure of office expires. Apparently, Fukuda has judged that meeting with the president will contribute to moving the now stalled talks on the Northern Territories issue forward.

As part of preparations for the Group of Eight summit in Lake Toya, Hokkaido, (G8 Toyako Summit) in July, Fukuda is considering making a tour of G8 countries in Europe during the May holidays. He is likely to visit Russia on that occasion.

In a meeting with former Prime Minister Yoshiro Mori in last December, when Mori was visiting Russia, Putin expressed his enthusiasm about breaking the impasse on territorial negotiations,

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noting, "I am sure the territorial negotiations will be finalized." Meanwhile, Fukuda in his Diet policy speech on Jan. 18 stressed: "I will accelerate territorial negotiations in order to bring them up to a higher level." Prior to the prime minister's visit to Russia, Foreign Minister Masahiko Koumura will visit Moscow in late March and set the stage for a Japan-Russia summit.

A diplomatic source familiar with Japan-Russia relations gave this explanation about why Putin plans to hold a summit immediately before he steps down: "He may want to demonstrate that he will retain influence even under the new president."

6) Chinese dumpling scare hits JT's growth strategy; President: "Frozen food business is in a crisis"

MAINICHI (Page 9) (Excerpts)  
February 7, 2008

Japan Tobacco Inc. (JT) has scrapped a plan to integrate its frozen food business with that of Nissin Food products Co. in the fallouts of the recent food-poisoning outbreak involving Chinese-made frozen dumplings. The poisoning incident hit JT's strategy of growing its food division into its key business. President Hiroshi Kimura said in a press conference yesterday that the company will make efforts to revive its frozen food business, but it will not be easy to dispel consumers' growing distrust.

JT President Kimura emphasized his determination to keep its strategy, saying: "The strategy of growing the food division into our key business remains unchanged." When demand for Japanese tobaccos is shrinking, JT aims to expand the food division as its key business, like the foreign tobacco section. JT was placing great expectations on the integration plan with Nisshin in the frozen food business following the joint purchase of frozen food company Katokichi Co.

Due to the Chinese dumpling scare, however, "JT's frozen food business is in a crisis," according to Kimura. Pressed with coping with the incident, the company had to give up the integration plan.

7) Yosano criticizes market fundamentalism

SANKEI (Page 5) (Full)  
February 7, 2008

Former Chief Cabinet Secretary Kaoru Yosano of the Liberal Democratic Party gave a speech at party headquarters yesterday. In the speech Yosano revealed a view critical of former Secretary General Hidenao Nakagawa and other lawmakers who put high priority on economic growth, saying: "The idea that economic growth will help the country restore fiscal health is a great illusion. Market fundamentalists' idea of creating a small government does not fit the atmosphere in Japan." Yosano also argued that the approach of turning the consumption tax into a social security tax and raising the tax rate from the current 5 PERCENT to 10 PERCENT will help the government achieve its objective of restoring fiscal health.

8) Supplementary budget bill approved with Lower House's decision overriding the Upper House's

YOMIURI (Page 2) (Full)  
February 7, 2008

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The 2007 supplementary budget bill that includes measures to deal with soaring oil prices was approved yesterday afternoon. This bill was adopted in the Lower House plenary session on Jan. 29, but it was rejected by a majority of votes from the opposition bloc in the Upper House plenary session yesterday morning. At the request of the Lower House, the joint committee of both the chambers of the Diet held a session yesterday afternoon, but no conclusion was reached there. As a result, in accordance with the Constitution's Article 60 that stipulates the Lower House's decision overrides the Upper House's, the budget bill was adopted. Adopting the supplementary

budget bill under that provision was the first time in 15 years since 1993.

A bill amending the Tax Allocation to Local Governments Law, which is related to the supplementary budget, was adopted by a majority of votes from the ruling bloc and the major opposition Democratic Party of Japan (DPJ) in the Upper House plenary session yesterday.

Following the passage of the supplementary budget bill, the Lower House Budget Committee will commence deliberations on the 2008 budget bill today. The ruling bloc asked the opposition bloc at a session yesterday of the Lower House Steering Committee to commence debate on tax-system-related bills, such as a bill revising the Special Taxation Measures Law aimed at maintaining the current provisional tax rate for gasoline, at a Lower House plenary session on Feb. 14 and 15, but this request was rejected by the opposition parties.

9) Supplementary budget clears Diet; Prime Minister Fukuda finds it difficult to place own imprint on policy during current Diet session

NIKKEI (Page 2) (Excerpts)  
February 7, 2008

A supplementary budget for fiscal 2007, which covers emergency measures, including disaster relief and expenditures for people suffering from high oil prices, was enacted yesterday based on Article 60 of the Constitution, which stipulates that if the two Diet chambers cannot reach an agreement over the budget, the House of Representatives decision prevails. It was the first time in 15 years since 1993, when Article 60 was used by the cabinet of Prime Minister Kiichi Miyazawa.

All eyes are likely to be on Fukuda's Diet management skills centered on economic policy as deliberations start today on the fiscal 2008 budget bill. Although Fukuda is eager to unify consumer affairs under one administrative body, the main concern is whether he will be able to bring about a conclusion by the end of the current fiscal year (end of March) the contentious issue of extending the provisional gasoline tax rate. Already, Fukuda's handling of the plummeting stock market and sharp divisions in the government and ruling parties over placing restrictions on foreign investment in airports make him vulnerable to criticism that "Fukuda's policy imprint remains invisible."

Fukuda spoke last night of the enactment of the supplementary budget: "I am glad that this budget was enacted because it is directly connected with the daily lives of the people." He appeared relieved since he has been saying that an early enactment of the supplementary budget and the fiscal 2008 budget bills would be the

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best possible measures (to counter falling stock prices).

Fukuda yesterday took action to appoint a minister in charge of consumer administration, as well as to set up a council of consumer-affairs experts. He is expecting that his policy of placing priority on consumers will boost his administration's popularity, based on its handling of a series of scandals over domestic food-labeling fabrications and the current row over tainted gyoza dumplings made in China. He also plans to take the initiative in environmental and social security issues, setting up councils of experts in the Prime Minister's Official Residence.

However, it is uncertain whether his efforts will be effective. In the ongoing Diet session, the focus will solely be on the handling of a bill revising the Special Taxation Measures Law that would retain the current provisional rates for gasoline and other road-related taxes. The ruling camp has called on the opposition to present a counterproposal, but the opposition bloc has insisted the provisional tax rates all be abolished. Therefore, there is no prospect for consultations on revising the government-sponsored bill.

10) Ruling camp to press DPJ to present counterproposal: Course of

provisional gas tax rate talks remain unclear

MAINICHI (Page 2) (Excerpts)  
February 7, 2008

Secretaries general and Diet Policy Committee chairmen of the

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Liberal Democratic Party (LDP) and the New Komeito yesterday held talks and agreed to urge the Democratic Party of Japan (DPJ or Minshuto) to present a counterproposal to their special tax measures bill incorporating a 10-year extension of provisional tax rate on the gasoline tax, etc. The mediation proposals proposed by the speaker of the Lower House and the president of the Upper House mentions that items on which both parties agreed should be revised. However, the LDP's road policy clique in the Diet is strongly resisting the idea of revising the bill. The ruling camp has apparently thrown the ball into the DPJ's court, anticipating that opposition parties are not unanimous in their stance. Whether they ever hold such talks is unclear.

LDP Secretary General Bunmei Ibuki stressed to reporters at the Kantei that the DPJ needs to present a counterproposal, saying, "Since the DPJ has accepted the mediation proposal, it should contribute to efforts to set conditions for substantive Diet deliberations. LDP members are in agreement on the notion that it is impossible to revise the bill in such a manner that will lead to revising the fiscal 2008 budget bill.

However, some are flexible toward such a revision with former Secretary General Hidenao Nakagawa noting a plenary meeting of the

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Machimura faction on Jan. 31, "It is all right to discuss such issues as reallocating road funds for other uses and a possible adoption of an environment tax." However, General Council Chairman Toshihiro Nikai, a veteran member of the transportation policy clique in the Diet, checked Nakagawa's statement, "It is dishonorable to say that we will respond to any proposal." The ruling intends to wait for intraparty discussions to calm down, while assuming the ball remains in the DPJ's court.

The DPJ is alert to the ruling parties' approach, seeing it as a

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clinch strategy. Diet Affairs Committee Chairman Kenji Yamamoto during a press conference yesterday indicated his party's stance of not responding to the ruling parties' call, noting, "The DPJ's stance is clear. It is not necessary for us to present a counterproposal. We will not make a superficial deal."

The DPJ is, however, preparing to submit a bill incorporating reallocations of special-purpose road construction revenues for other uses and scrapping the provisional tax.

11) DPJ bill for abolishing provisional gas tax rate proposes halving outlays for road construction projects

YOMIURI (Page 2) (Full)  
February 7, 2008

The Democratic Party of Japan (DPJ) yesterday released key points in its bill calling for abolishing the current provisional road-related tax rates, which the party plans to submit to the current Diet session. The bill calls for scrapping the provision set in the Special Taxation Measures Law for the current provisional gasoline and other road-related tax rates and using the tax revenues for general purposes.

Should this bill become law, spending for road-construction projects will be reduced from the current about 3.4 trillion yen to about 1.7 trillion yen. The DPJ, though, stresses that there will be no hindrance to road improvement in local areas, because generous financial funding will be given to local governments.

An abolishment of the provisional tax rates will decrease local

governments' annual revenues by more than 1 trillion yen. To offset this, the bill incorporates these measures: (1) Discontinue the system in which local governments pay some of the expenditures for public works projects commissioned by the central government; (2) double the ratio of gasoline tax revenues distributed to local governments from the current one-fourth to one half.

Although the DPJ admits that scrapping the provisional tax rates will inevitably slow down road construction, it stresses that it will be possible to construct necessary roads by cutting costs and changing the order of priorities.

The main opposition party will carry out internal coordination to submit the bill to the Diet, but some members are calling for caution, with one saying that the party should carefully watch progress in negotiations between the ruling and opposition parties on changing the legislation over the road tax rates.

12) Government to reconsider proposed restrictions on foreign investment in airports

YOMIURI (Page 2) (Full)  
February 7, 2008

The government aims to submit a bill revising the Airport Development Law to the current session of the Diet, but it yesterday decided to take a second look at the bill. The government did so because of opposition from some members of the cabinet, as well as some lawmakers in the ruling Liberal Democratic Party (LDP), to a plan presented by the Ministry of Land, Infrastructure and Transport's (MLIT) for the introduction of foreign capital

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restrictions on airports. The government's initial plan was to get approval for the bill at a cabinet meeting tomorrow, but it has now decided to delay the plan. According to a high-level government official, the government, after taking a "cooling-off period" for a while, will review the bill and aim to reach a conclusion on a course of action.

Chief Cabinet Secretary Machimura will work on the review of the bill in cooperation with bureau director-level officials from relevant ministries and agencies, including the MLIT and the Financial Services Agency. The MLIT's proposal says that the legislation shall be reviewed in five years after it takes effect, but this five-year timeframe will possibly be shortened to two years. In addition, the proposal states foreign capital's ratio of shareholding shall be below one-third, but this percentage, too, will be discussed in the direction of raising the level. Moreover, relaxing the now tightened supervision of domestic airline companies in connection with airport management will be discussed.

The bill may be divided into two in order to meet the timing for budget deliberation: one for a review of airport management related to budget and a second one for foreign capital.

13) Government panel calls for shift to doshu system in 10 years' time

SANKEI (Page 2) (Full)  
February 7, 2008

The government's doshu (regional bloc) system vision panel met yesterday, in which chair Katsuhiko Eguchi presented his plan specifying that the country should shift to a doshu system in about ten years' time, by 2018. The report also says that the option of dividing the country into regional blocs, now in focus, will be specified in the panel's final report due out in the spring of 2010. Eguchi also proposed limiting the government's role to 20 areas, such as diplomacy and the maintenance of the currency system. This part drew many objections. The panel plans to consolidate views in the next meeting to present an interim report to Decentralization Minister Hiroya Masuda in late March.

14) Yukari Sato to move to Tokyo No. 5 constituency for next Lower House election



MAINICHI (Page 3) (Excerpts)  
February 7, 2008

The Liberal Democratic Party unofficially decided yesterday to endorse Yukari Sato, who ran in the 2005 "postal election" from the Gifu No. 1 constituency (and eventually won a Tokai bloc proportional representation seat), for the Tokyo No. 5 district. In the Gifu No. 1 constituency, former "postal rebel" and former postal minister Seiko Noda and Yukari Sato have been vying for party endorsement. The LDP informally decided last month to enforce Noda for that constituency. Sato has been pressed for a move to another constituency. Sato, who is expected to accept the party's decision, is likely to convey her acceptance to Election Strategy Committee Chairman Makoto Koga later this week.

15) Consumer administration conference to move up first meeting to Feb. 12 over gyoza scare

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YOMIURI (Page 2) (Excerpts)  
February 7, 2008

The government decided yesterday to establish a conference on promotion of consumer affairs administration tasked with determining details of a new agency to integrate consumer administrative functions now split among various government offices. Chief Cabinet Secretary Machimura announced this decision in a press conference

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the same day. Gakushuin University Professor Tsuyoshi Sasaki, who heads the Social Policy Council, an advisory panel to the prime minister, is scheduled to chair the new experts' panel. Lawyers and representatives from consumer groups will join the new body. Its first meeting will be held on Feb. 12 after a formal decision is made at a cabinet meeting tomorrow. The panel will come up with a conclusion as early as April.

Machimura and State Minister for Consumer Affairs Kishida will also participate in its all meetings. The government has set up a preparatory office for integrating consumer affairs administration in the Cabinet Secretariat yesterday as the head office of the conference.

The formation of the new panel reflects Prime Minister Fukuda's policy of giving priority to the people. The prime minister initially intended to set up the body later this month, but he has decided to accelerate the plan due to the fallout from the recent food-poisoning outbreak involving Chinese-made frozen dumplings.

Speaking before reporters at the Prime Minister's Office last night, Fukuda emphasized: "I thought we would be able to take our time and thoroughly address the task. But the incident this time is raising questions about whether consumer affairs administration from the standpoint of the people has been implemented. We would like to conduct a study and quickly establish a new system." The focus is on whether the government will be able to set up a new body, reflecting on the current lack of cooperation among relevant government agencies, as well as of information exchange between the central and local governments.

The Liberal Democratic Party's Research Committee on Fundamental Policies for Consumers, chaired by Seiko Noda, compiled on Jan. 24 an interim report that specified (1) creation of a consumer agency; (2) establishment of an administrative committee based on the Civil Polity Law; and (3) reinforcement of the Cabinet Office's functions. The new conference is expected to conduct discussions based on this report and views to be presented in the Social Policy Council.

Fukuda has expressed a strong desire to create a new body with powerful authority. To do so, however, it will be necessary to transfer wide-ranging authority from government agencies to the new body, and eventually the agencies involved will likely put up resistance. When streamlining administrative work is being promoted, it will not be easy to recruit able personnel, either. Given this, a

senior government official said about the aim of the prime minister:  
"A conclusion reached by experts has more persuasive power for  
government agencies."

16) Poll: 56 PERCENT back using whales for food

ASAHI (Page 37) (Full)  
February 7, 2008

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An estimated 56 PERCENT of the Japanese public are in favor of using whales for food, with 26 PERCENT against it, the Asahi Shimbun found from its telephone-based nationwide public opinion survey conducted Feb. 2-3. Asked about Japan's research whaling, 65 PERCENT supported its continuation. To both questions, there were many affirmative answers from middle-aged and older respondents in particular. Among women, there were many negative opinions. Asked about using whales for food, negative answers outnumbered affirmative answers among women in their 20s and 30s.

"Are you in favor of using whales for food, or are you against it?" To this question, "yes" accounted for 70 PERCENT among men and nearly 80 PERCENT among men in their 40s-60s. Among women, "yes" accounted for 44 PERCENT, with "no" at 34 PERCENT. Above all, among women in their 20s, "yes" accounted for 33 PERCENT, with "no" at 58 PERCENT. Among women in their 30s, "yes" accounted for 34 PERCENT, with "no" at 41 PERCENT.

Another question was: "Japan continues its research-purpose whaling in the Southern Ocean and other waters. However, this research whaling is drawing strong criticism overseas. Do you support continuing Japan's research whaling?" In response, 65 PERCENT answered "yes," with 21 PERCENT saying "no." The proportion of affirmative answers to this question was higher than that of affirmative answers to the question about using whales for food. "Yes" accounted for 75 PERCENT among men and 56 PERCENT among women.

17) Government earmarks in fiscal 2008 budget 1.2 trillion yen for CO2 cuts

MAINICHI (Page 2) (Full)  
February 7, 2008

The Environment Ministry yesterday revealed that appropriations for cuts in greenhouse gas emissions, such as carbon dioxide (CO2), earmarked in the government's budget for the new fiscal year total 1.2166 trillion yen (up 1 PERCENT from the fiscal 2007 initial budget). A budget for measures that will directly contribute to Japan complying with its commitment, including afforestation for more CO2 absorption by forests and the acquisition of emissions credits, is 519.4 billion yen (up 2 PERCENT from the fiscal 2007 initial budget). Expenses for acquiring emissions credits sharply increased to 30.8 billion yen, up 2.4 PERCENT from the fiscal 2007 initial budget, in the initial year of the reductions commitment period under the Kyoto Protocol.

The breakdown of measures that are expected to produce direct effects comes to 185.3 billion yen for forest CO2 absorption measures, such as forest consolidation and soil-conservation projects, and 118.8 billion yen for nuclear-power-related subsidies. Other CO2 reduction measures include the development of fast breeder reactors and the consolidation of streetcars.

18) Fukuda, Ihara neck and neck in Iwakuni mayoral race

MAINICHI (Page 3) (Abridged slightly)  
February 7, 2008

There are only three days left before the Feb. 10 Iwakuni gubernatorial election focused on the propriety of the relocation of U.S. carrier-based air wing to the base in the city. A heated verbal

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battle is going on between former LDP House of Representatives member Yoshihiko Fukuda, 37, who supports the relocation conditionally, and former mayor Katsusuke Ihara, 57, who opposes the relocation. Perceiving the current situation as neck and neck, the two camps are in the homestretch.

Highlighting the city's financial difficulty focusing on services for children and the elderly, Fukuda harshly criticizes Ihara's administration. Fukuda plays up the importance of cooperation over confrontation toward citizens who have begun showing signs of "base fatigue" from the controversial relocation issue, while emphasizing his determination to make school buildings earthquake resistant as part of his livelihood-oriented policy. In the middle of the election campaigning, Fukuda camp workers began noticing good reactions in municipalities that have been merged into Iwakuni City. Those areas, that are traditionally conservative and less familiar with the base issue than the original Iwakuni City area, are reacting favorably to Fukuda's pledge that he will directly lobby government agencies in order to win budgets.

On the other hand, Ihara rebuts: "It is a lie that the city's finances are bankrupt. (Mr. Fukuda) is trying to make the (anti-relocation voters) turn around their views by diverting the focus from U.S. force realignment."

In the 2006 municipal referendum, 87 PERCENT of voters said 'no' to the relocation. Vividly expressing his anger toward the government's steps, such as its freeze on the subsidies for building a new city hall, Ihara is trying to rally together such anti-relocation citizens once again.

DONOVAN